



HR Topic: **Health Care** **Flexible Spending** **Account**

For Plan Year 2015
OHR Health Insurance Team

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Health Care Flexible Spending Account

Important Information:

This booklet provides general information about the Health Care Flexible Spending Account (FSA). Please note that this before-tax benefit is governed by the Internal Revenue Code and related guidance. If there is any inconsistency between information provided here and Federal law (and related Montgomery County Government plan documents), Federal law (and related Montgomery County Government plan documents) will apply. Please remember that the representations made apply only health care expenses. The County does not represent that a participant's overall tax liability will be reduced. We recommend that you consult with your tax advisor for advice on tax matters.

General Information

Q. What is the Health Care Flexible Spending Account (FSA)?

A. The Health Care FSA is a salary reduction plan that provides participating employees an opportunity to pay for certain health care expenses with before-tax dollars.

Contributions (maximum \$2,500 annually) that you elect to make to the FSA plan are automatically reduced from your paycheck before taxes are calculated. Those before-tax contributions are used to reimburse you for eligible medical and dental expenses incurred by you or your dependents that your health plan doesn't cover.

Q. If I don't spend all the money I've set aside in my FSA by the end of the year, can I get it back or apply it to the following year?

A. No. IRS rules governing flexible spending accounts require that if you don't use all of the allocated amount you forfeit unused amounts. However, you have until March 15th of the following calendar year to incur expenses. It's important to estimate your likely expenses carefully and contribute only the amount that you expect to use. Unused amounts cannot be returned to you.

Q. Who is eligible? Can all employees enroll in a health care FSA?

A. Permanent full-time and part-time (at least 10 hours/week) Montgomery County Government employees may participate.

Reduction in Taxable Income

Q. How do I save money on taxes by using the FSA?

A. Contributions that you elect to make to your FSA are automatically reduced from your pay check before taxes are calculated, so all contributions to the FSA are excluded from taxable income.

The following example may make this clearer. Assume the following:

- Your adjusted gross income is \$35,000 and
- You have \$2,500 in *unreimbursed* medical expenses.

If you don't participate in the FSA, *none* of the \$2,500 will be tax deductible, since you can claim a tax deduction on your tax return only for unreimbursed medical expenses that exceed 7.5% of your adjusted gross income.

Adjusted gross income	\$35,000
7-1/2% of adjusted gross income	\$2,625
Unreimbursed medical expense	\$2,500
Taxable income	\$35,000

If, instead, you use the FSA and contribute the allowable maximum of \$2,500, you'll have the full amount reduced from your taxable income on your W-2.

Adjusted gross income	\$35,000
Allocations to FSA	\$2,500
Taxable income	\$32,500

Enrollment

Q. How do I enroll in the FSA?

A. During the County's annual Open Enrollment Period, you can elect to participate in the FSA for the next calendar year. Start by estimating the amount you spend on unreimbursed medical expenses during the year. To do this, review your expenses from past years and think about any predictable eligible expenses for next year. Remember that any unused balance in your FSA will be forfeited. You must submit your election through the Open Enrollment process.

The FSA election automatically ends with each calendar year. You must make a new election each Open Enrollment for the following year, if you wish to participate.

Please note that newly eligible employees, such as new hires, may elect to participate within 60 days of their eligibility date.

Eligible Dependents/ Expenses

Q. Who are my eligible dependents for purposes of the FSA?

A. Any person who qualifies as your dependent under the County's Group Insurance Plan. See the Summary Description for details.

Q. What are reimbursable health care expenses under the FSA?

A. Expenses for health care services or supplies which the IRS allows as a medical expense deduction for income tax purposes can be reimbursed from the FSA plan. Some examples of reimbursable expenses are:

- Out-of-pocket medical and dental expenses, such as deductibles, co-payments, and amounts over the reasonable and customary charge
- Routine health examinations
- Routine eye examinations, eyeglasses and contact lenses
- Braille books or guide dogs for people who are blind
- Hearing aids
- Acupuncture
- Orthopedic shoes
- Over the counter (OTC) drugs with a doctor's prescription
- Insulin without a doctor's prescription
- Contact lenses supplies
- First aid supplies

For a complete list, visit www.irs.gov and IRS Publication 502 or review Benefit

Strategies Eligible Expense Guide at www.benstrat.com.

Examples of **ineligible, non-reimbursable** expenses include cosmetic surgery that does not meaningfully promote the proper function of the body or prevent or treat an illness or disease; membership fees or costs of weight loss programs done for your general health; and premiums paid for insurance coverage.

Reimbursement of Eligible Expenses, the FSA Card and Important Deadlines

Q. How do I file for reimbursement?

A. For expenses associated with health-related services, such as doctor and dentist visits, you must first submit expenses through the appropriate health care plan, such as your medical, prescription, dental or vision plan. If you have coverage through a second health plan, such as a spouse's plan, you must also submit claims through this source for processing. Once processed, submit the Explanation of Benefits received from your health plan and any receipts for copayments or other acceptable medical expenses to Benefit Strategies, the County's administrator of the FSA plan.

For reimbursement of expenses not covered under your health plans, you'll need to submit other evidence of payment. Canceled checks or credit card receipts are **not** acceptable proof of payment. You'll need an itemized bill from your provider or receipts showing the

patient's name, date of service, type of service, and charge.

Claim forms are available in the Office of Human Resources, EOB 7th floor and online on the OHR website. Claim forms and documentation should be mailed to Benefit Strategies.

If you submit a claim to the FSA for more than you have contributed, you'll receive the total amount of your claim up to the amount you elected to contribute. Your future contributions will cover the amount of your claim.

Q. Can I use Benefit Strategies' FSA Card to receive reimbursement?

A. It may look like a typical debit or credit card, but the FSA card is a special benefits card pre-loaded with your full annual Health FSA election amount. You use the card to pay for IRS qualified expenses directly at the point of sale or when paying a bill. The card works in many settings, such as physician offices, dental and orthodontic offices, optometrists, pharmacies, chiropractors, urgent care centers, and hospitals.

The IRS requires you keep all original documentation for purchases associated with the FSA card. Benefit Strategies may also request copies of your documentation to verify a debit card purchase. To be valid, documentation must include: date the expense was incurred, patient name (if applicable), amount of the expense after any insurance adjustment, provider name, service/product description.

Q. What are the deadlines for *incurring expenses* applicable to a given calendar year's election and for *submitting claims* for expenses incurred against a given calendar year's election?

A. Generally, you have until March 15th of the following calendar year to *incur expenses* applicable to the prior year's election. You have until April 30th of the following calendar year to *submit claims* for incurred expenses applicable to the prior year's election. **If claims are not received by Benefit Strategies by that date, any unused amounts in your account will be forfeited.**

Changes

Q. May I enroll in the FSA or change my FSA contribution during the calendar year?

A. In most cases, no. However, you may increase your contribution or enroll during the year if you have an eligible IRS qualified status change. Some examples of changes in status include marriage, divorce, or the birth of a child. If you have a change in status, contact the Office of Human Resources **within 60 days** of the date of change. You'll need to provide proof of the change at that time. For more information on qualified status changes, refer to your Summary Description.

Resignation/ Termination

Q. What happens to my FSA if I resign or terminate employment with the County?

A. If you terminate your employment or resign from County service, you may be eligible for continuation of the health care FSA through COBRA. If you are eligible, you will be sent notification of your rights to coverage continuation under COBRA.

If you elect COBRA, you may continue to contribute and to request reimbursement of eligible expenses for that calendar year, up to the amount that you contributed.

If you don't wish to elect COBRA and if you have documentation for expenses incurred during the time you were a participant, you can request reimbursement from the FSA by completing the claim form, attaching your documentation, and forwarding it to Benefit Strategies.

For More Information:

Benefit Strategies

1-888-401-FLEX (3539)

Monday –Thursday 8AM – 6PM ET;

Friday 8AM – 5PM ET

You may also email info@benstrat.com or visit www.benstrat.com.

For additional information and forms, visit www.montgomerycountymd.gov/ohr, click the Benefits tab at top left, then the Employee Health Insurance page; scroll down to the Flexible Spending Account section.